

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

C O N F I D E N T I A L STATE 123094

FOLLOWING TEL SENT SECSTATE ISLAMABAD DACCA INFO BONN BY POUCH  
LONDON BY POUCH STOCKHOLM BY POUCH OTTAWA BY POUCH TOKYO BY  
POUCH BRUSSELS BY POUCH THE HAGUE BY POUCH ROME BY POUCH FROM  
OECD PARIS 15 JUNE REPEATED

QTE OECD PARIS 16641

AIDAC

ADCOR

E. O. 11652: GDS

SUBJECT: AGREED MINUTE PAKISTAN DEBT

FOLLOWING IS APPROXIMATE TEXT OF AGREED MINUTE ON PAKISTAN  
DEBT ARISING FROM JUNE 15, 1973 MEETING. RESERVATIONS EXPRESSED  
BY SOME DELS REPORTED SEPTEL.

QUOTE: 1. ON MAY 30 AND JUNE 15, 1973, REPRESENTATIVES OF THE  
GOVERNMENTS OF BELGIUM, CANADA, FRANCE, THE FEDERAL REPUBLIC  
OF GERMANY, ITALY, JAPAN, THE NETHERLANDS, SWEDEN, THE UNITED  
KINGDOM, AND THE UNITED STATES MET UNDER THE CHAIRMANSHIP OF  
THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT TO  
CONSIDER THE QUESTION OF THE EXTERNAL DEBT OF THE ISLAMIC  
REPUBLIC OF PAKISTAN. THIS DISCUSSION WAS PROMPTED BY THE  
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IMMINENT TERMINATION OF THE RESCHEDULING AGREEMENT REACHED ON MAY 26, 1972 AND THE AS- YET- UNRESOLVED PROBLEM OF AN EQUITABLE DETERMINATION OF RESPONSIBILITY FOR THE TOTAL EXTERNAL DEBT OF PAKISTAN.

2. THESE DELIBERATIONS WERE CONDUCTED IN CONSONANCE WITH THE FOLLOWING ASSUMPTIONS:

( A) THE LEGAL LIABILITY FOR ALL DEBTS REMAINS WITH THE CONTRACTING PARTY UNTIL SUCH TIME AS ANOTHER PARTY AGREES TO ASSUME THAT LIABILITY.

( B) THE TASK OF ALLOCATING THE EXTERNAL DEBT OF PAKISTAN SHOULD, IDEALLY, BE BORNE EXCLUSIVELY BY THE GOVERNMENTS OF PAKISTAN AND BANGLADESH.

( C) ANY ALLOCATION OF THE TOTAL DEBT AGREED BY PAKISTAN AND BANGLADESH IS ACCEPTABLE TO THE CREDITORS.

( D) THE CREDITOR GOVERNMENTS WISH TO FACILITATE THE EVENTUAL EQUITABLE RESOLUTION OF THE PROBLEM.

( E) A SITUATION OF DEFAULT ON ANY EXTERNAL DEBT SHOULD BE AVOIDED.

3. IN LIGHT OF THESE ASSUMPTIONS, THE GOVERNMENTS REPRESENTED AGREED TO MAKE AND RECOMMEND THE FOLLOWING PROPOSAL TO THE GOVERNMENT OF PAKISTAN:

( A) TO RESCHEDULE THE FY-1974 SERVICE ON THE EXTERNAL DEBT OF PAKISTAN IN A PRO- RATA AMOUNT AND ON TERMS COMPARABLE TO THE RESCHEDULING AGREED TO ON MAY 26, 1972. A RESUME OF THESE TERMS AND THE AMOUNTS TO BE RESCHEDULED FOR FY-1974 ARE ATTACHED TO THIS MINUTE.

( B) SPECIFICALLY, TO RESCHEDULE WITHIN THIS AMOUNT, IF NECESSARY, THE SERVICE ON INDIVIDUAL CREDITS ARISING FROM PROJECTS IN BANGLADESH.

( C) IN A MANNER FULLY CONSISTENT WITH THE ASSUMPTION IN PARAGRAPH 2( A) ABOVE, TO ASSURE THE GOVERNMENT OF PAKISTAN

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THAT AS OF JULY 1, 1974 PAKISTAN WILL NOT BE EXPECTED TO SERVICE CREDITS ARISING FROM PROJECTS VISIBLY SITUATED IN THE TERRITORY OF BANGLADESH. THE DETERMINATION OF SUCH CREDITS WILL BE THE SUBJECT OF BILATERAL DISCUSSION BETWEEN INDIVIDUAL CREDITORS AND THE GOVERNMENT OF PAKISTAN.

( D) TO STUDY DURING THE PERIOD OF THIS RESCHEDULING

PAKISTAN' S LONG TERM DEBT SITUATION IN RESPONSE TO ITS REQUEST FOR LONG- TERM DEBT RELIEF, AND TO TAKE ACCOUNT OF IN THAT STUDY ALL RAMIFACATIONS OF THE EFFECTIVE DEBT BURDEN ON PAKISTAN.

( E) TO REMOVE, IN LIGHT OF THIS INTERIM ARRANGEMENT, ALL CONDITIONS ON THE GRANTING OF NEW DEVELOPMENT ASSISTANCE TO PAKISTAN.

4. FURTHER, THE REPRESENTATIVES AGREED REGARDING PEOPLES REPUBLIC OF BANGLADESH TO:

( A) SEEK VIGOROUSLY BETWEEN NOW AND JULY 1, 1974 TO PERSUADE THE GOVERNMENT OF BANGLADESH TO ASSUME AS A MINIMUM LIABILITY FOR CREDITS ARISING FROM ALL VISIBLE PROJECTS LOCATED ON THE TERRITORY OF BANGLADESH.

( B) CONTINUE TO OFFER CONCESSIONAL RESCHEDULING, FULLY CONSISTENT WITH THE ECONOMIC REALITIES IN BANGLADESH, FOR ANY CREDITS ASSUMED BY THE GOVERNMENT OF BANGLADESH.

( C) REMOVE CONDITIONS ON DEVELOPMENT ASSISTANCE DURING THE PERIOD OF THE ABOVE INTERIM ARRANGEMENT.

( D) MAKE CLEAR THEIR INTENTION TO REVIEW THIS SUBJECT PRIOR TO MAKING COMMITMENTS FOR NEW DEVELOPMENT ASSISTANCE AFTER JUNE 30, 1974.

5. THE REPRESENTATIVES REQUESTED THE IBRD, AS CHAIRMAN OF THE CREDITOR' S GROUP, TO TRANSMIT THE AGREED PROPOSAL TO THE GOVERNMENT OF PAKISTAN AS SOON AS POSSIBLE. REPRESENTATIONS CONSISTENT WITH THIS AGREED MINUTE WILL ALSO BE MADE TO PAKISTAN ON A BILATERAL BASIS BY EACH REPRESENTED GOVERNMENT.  
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IT WAS ALSO AGREED THAT SUBSEQUENT TO THESE NEGOTIATIONS WITH PAKISTAN, APPROPRIATE REPRESENTATIONS CONSISTENT WITH THIS AGREED MINUTE WOULD BE MADE BY THE BANK FOR THE REPRESENTED GOVERNMENTS AND BY THOSE GOVERNMENTS BILATERALLY TO BANGLADESH.

THE REPRESENTATIVES OF ALL GOVERNMENTS EXPRESSED THE SENSE OF URGENCY WITH WHICH THEIR GOVERNMENTS VIEW AN EXPEDITIOUS AND SATISFACTORY FINAL RESOLUTION OF THIS PROBLEM. UNQUOTE

NOTE: THIS DOCUMENT MUST BE CLOSELY HELD AMONG CREDITOR OFFICIALS UNTIL FURTHER NOTICE AFTER THE INDICATED INITIAL CONTACTS ARE MADE BY IBRD OFFICIALS.

BROWN UNQTE  
RUSH

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\*\*\* Current Handling Restrictions \*\*\* n/a

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